

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00

DODE-00 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04 ITC-01

TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 FEA-01 /098 W

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FM AMEMBASSY MADRID

TO SECSTATE WASHDC 9079

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E.O. 11652: N/A

TAGS: ETRD, SP

SUBJECT: USITC FOOTWEAR REPORT - GOS PROTEST

REF: STATE 382219

1. EMBASSY HAS RECEIVED DIPLOMATIC NOTE FROM FONMIN REITERATING GOS "COMPLETE DISAGREEMENT" WITH POSSIBLE US ACTIONS TO RESTRICT SHOE IMPORTS FROM SPAIN AND ITS DEEP CONCERN ABOUT THE "GRAVE" REPERCUSSIONS OF SUCH MEASURES. FON MIN REQUESTS THAT NOTE BE TRANSMITTED TO THE PRESIDENT. ALTHOUGH NOTE DOES NOT APPEAR TO BE A RESPONSE TO INVITATION FROM STR TO PRESENT "INTERESTED PARTY" STATEMENTS ON ITC FOOTWEAR REPORT, IT DOES ENUMERATE REASONS WHY US SHOULD NOT EMPLOY QUOTA RESTRICTIONS ON SHOES, SEVERAL OF WHICH FORM RESPONSE TO QUESTIONS IN THE GUIDELINE FOR STATEMENTS.

2. SPECIFIC ISSUES RAISED BY THE FON MIN WERE:

A. SHOES ARE SPAIN'S CHIEF MEANS FOR REDUCING THE LARGE DEFICIT IT RUNS IN BILATERAL TRADE WITH THE US, A TRADE WHICH GIVES SPAIN ONLY 32 PERCENT EXPORT COVERAGE OF IMPORTS AS OPPOSED TO OVERALL NON-PETROLEUM TRADE COVERAGE OF 67 PERCENT.

B. IN SPITE OF SPANISH SHOE EXPORTERS' EFFORTS TO DIVERSIFY MARKETS, US STILL ACCOUNTS FOR 50 PERCENT OF SHOE EXPORTS; 40 MILLION PAIRS WORTH \$240 MILLION IN 1976, AN AMOUNT EQUAL TO 20 UNCLASSIFIED

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PERCENT OF TOTAL SPANISH SHOE PRODUCTION.

C. ITC QUOTAS WOULD COST AMERICAN CONSUMERS, ACCORDING TO ITC CALCULATIONS, FROM \$170 TO 525 MILLION. ALSO RETALIATIONS TO SHOE QUOTAS WOULD COST JOBS IN US EXPORT INDUSTRIES.

D. QUOTA INDUCED UNEMPLOYMENT IN SPANISH SHOE INDUSTRY WOULD BE HIGHLY CONCENTRATED, GREATLY COMPOUNDING ITS DAMAGE TO ALREADY ABNORMALLY HIGH GENERAL UNEMPLOYMENT.

E. QUOTAS WOULD BE CONTRARY TO GATT ARTICLE XIX ALLOWING SPAIN TO COMPENSATE THE LOSS BY OFFSETTING ACTIONS.
F. QUOTAS WOULD BE INCONSISTENT WITH US PRESIDENTIAL STATEMENTS AGAINST PROTECTIONISM, AS WELL AS WITH MULTILATERAL AGREEMENTS SUCH AS OECD "TRADE PLEDGE" OF MAY 1974.
G. QUOTAS ON SHOES WOULD BE CONTRARY TO THE BILATERAL TREATY OF FRIENDSHIP AND COOPERATION AND DETRIMENTAL TO THE FIRST MEETING OF THE JOINT ECONOMIC COMMITTEE SCHEDULED FOR MARCH.

3. IN ADDITION TO THE SPECIFICALLY RELATED ISSUES, FON MIN SAID A SHOE QUOTAS WOULD SPARK ADVERSE SPANISH PUBLIC OPINION YIELDING UNFAVORABLE ATTITUDES TOWARD THE US, AN UNFORTUNATE DEVELOPMENT IN VIEW OF SPAIN'S RAPIDLY CHANGING POLITICAL ORGANIZATION. IN CLOSING, FON MIN REFERRED TO MORE GENERAL CONSIDERATIONS OF PROMOTING FREE TRADE, FRIENDLY RELATIONS, AND US LEADERSHIP IN OVERCOMING THE WORLDWIDE ECONOMIC CRISIS.

4. NOTE IS CLOSE ENOUGH TO STR OUTLINE FOR WRITTEN STATEMENT BY INTERESTED PARTIES TO BE CONSIDERED AS SUCH. WHILE NOT THE DETAILED LEGAL STATEMENT EXPECTED FROM INDUSTRY REPRESENTATIVES, IT DOES ITEMIZE THE MAJOR PROBLEMS RESULTING FROM IMPOSITION OF QUOTAS. IT IS ALSO A CLEAR STATEMENT OF OFFICIAL CONCERN ABOUT THESE PROBLEMS AND THEIR UNAVOIDABLE REPERCUSSIONS.

5. FONMIN NOTE WITH UNOFFICIAL TRANSLATION BEING SENT SEPARATELY.
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Disposition Event:
Disposition History: n/a
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